



Our first care is your health care
ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

Janet Napolitano, Governor
Anthony D. Rodgers, Director

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Notice
Tamper-Resistant Prescription Pads for Medicaid Populations
April 1, 2008

The Centers for Medicare and Medicaid Services (CMS) approved a modification under our Special Terms and Conditions (STC) that will allow the AHCCCS program to operate without implementing the tamper-resistant prescription pad requirement. This decision is effective immediately.

To read more on the CMS decision, please see the letter below.

If you have any further questions, please contact:

Suzi Berman, RPh
AHCCCS Director of Pharmacy Services
602-417-4726

Jimmy Borders
AHCCCS Pharmacy Program Coordinator
602-417-4533.

Sincerely,

Anthony D. Rodgers
Director

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop C2-21-15
Baltimore, Maryland 21244-1850



Center for Medicaid & State Operations

MAR 31 2008

Mr. Anthony D. Rodgers
Director
Arizona Health Care Cost Containment System
801 East Jefferson
Phoenix, AZ 85034

Dear Mr. Rodgers:

I am responding to your request pertaining to the U.S. Troop Readiness, Veteran's Care, Katrina Recovery and Iraq Accountability Appropriations Act of 2007, which amends section 1903(i) of the Social Security Act to include requirements for the use of tamper-resistant prescription pads for the Medicaid population. In your letter you requested expenditure authority be granted under section 1115(a) for the cost of covered outpatient drugs, notwithstanding the prohibition on Federal financial participation found at section 1903(i)(23).

You are correct in citing guidance of State Medicaid Director Letter # 07-012, which indicates that the tamper-resistant prescription pad requirement does not apply to managed care delivery systems. Arizona's fee-for-service (FFS) expenditures account for less than 5% of the State's total Medicaid expenditures, and the number of prescriptions per month affected by the tamper resistant requirement would be less than 3000. These aspects of Arizona's program place the State in a unique circumstance where only a very small subset of beneficiaries would be affected by the tamper-resistant prescription pad requirement. We also understand the State's view that the costs of implementing the tamper-resistant prescription pad requirement under such circumstances could likely outweigh the returns from potential fraud and abuse recoveries.

Because there are no other states similarly situated as yours with regard to managed care, Arizona has in the past been relieved of a number of Medicaid FFS administrative requirements. Our provision of a new expenditure authority is in keeping with the Department's past actions such as the State's ongoing exemption to the drug rebate and drug use requirements of Omnibus Budget Reconciliation Act of 1990, which was again included as part of the demonstration renewal package approved on October 25, 2006. We also acknowledge and commend the State's strong efforts in combating fraud and abuse through an aggressive pharmacy benefit management program.

Therefore, I am informing you of an approval of a modification to your existing expenditure authorities for your demonstration. The expenditure authority list within your currently-approved Special Terms and Conditions (STCs), approved for the period October 27, 2006 to September 30, 2011 will be modified to permit the State to continue to operate its program without implementing the tamper-resistant prescription pad requirement. The

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attachment specifies that the State has been granted expenditure authority for the requirements under section 1115(a) of the Social Security Act for the cost of covered outpatient drugs, notwithstanding the prohibition on Federal financial participation found at section 1903(i)(23) regarding the use of tamper resistant prescription pads.

The additional expenditure authority will become operational upon the date of this letter. Similar to our requirement in STC #53 with regard to the drug rebate, drug use and other requirements, the State may keep this authority operational as long as FFS expenditures do not exceed 5% of the State's total Medical Assistance expenditures. Under separate cover, Arizona will shortly be receiving a revised set of expenditure authorities, waivers and STCs incorporating the modification to the expenditure authority list and any other necessary conforming changes to the documents that govern the operation of this demonstration.

We appreciate Arizona's longstanding commitment to the operation of a demonstration that exemplifies the use of the best practices in managing care in order to deliver cost effective, high-quality care to its AHCCCS enrollees. If you have questions regarding this approval, please contact Ms. Susan Cuerdon, Acting Director, Family and Children's Health Programs Group, Center for Medicaid and State Operations, at (410) 786-5647.

We look forward to continuing to work with you and your staff.

Sincerely,



Dennis G. Smith
Director